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UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
SANTA ANA DIVISION

20 In re:) Case No. 8:17-bk-12660-SC
21)
22) Chapter 11
23)
24 CHRESTOTES, INC.,)
25) OPPOSITION TO THE UNITED STATES
26) TRUSTEE'S MOTION TO DISMISS OR
27) CONVERT CASE; DECLARATION OF
28) DOLLY VALDIVIA IN SUPPORT
20)
21)
22) Date: September 14, 2017
23) Time: 11:00 a.m.
24) CtRm: 5C
25)
26)
27)
28)

20 TO HONORABLE SCOTT CLARKSON UNITED STATES BANKRUPTCY JUDGE, AND ALL
21 PARTIES IN INTEREST:

22 Chrestotes, Inc. ("Debtor") submits the following opposition
23 to the Office of the United States Trustee's Motion to Dismiss
24 ("MTD") filed on August 16, 2017 (PACER #29).

25 The MTD is premised, for the most part, on Debtor's tardiness
26 in addressing United States Trustee requirements for Chapter 11
27 filings and on its view that the case is not viable. At the
28 initial Status Conference the Court directed Debtor to get up to

1 speed with the filing requirements within 10 days. As set forth
2 below, Debtor has now done so.

3 **Item 1: No Ability to Fund Plan of Reorganization**

4 The United States Trustee has expressed concerns that Debtor
5 has no ability to formulate a feasible plan. Debtor respectfully
6 disagrees.

7 Debtor has extensively amended its Schedules (which were
8 originally filed on an emergency basis). See PACER #28. In
9 summary, the Debtor owns and leases three single family residences.
10 Debtor believes that each of them is generating market rent, and
11 that this will provide a sufficient revenue stream to fund a Plan
12 based on current market values of the properties.¹

13 To advance its case, the Court has authorized Debtor to employ
14 an appraiser who will provide fair market values and fair rental
15 values for each of the properties.

16 **Item 2: Cash Collateral**

17 The MTD asserts that Debtor has violated cash collateral
18 provisions by using funds post-petition without an order of this
19 Court.

20 Debtor is aware of, and appreciates the restrictions on use of
21 cash collateral. Among other things, Debtor has opened segregated
22 accounts to receive the rental income from each of the properties.
23 At no time since the case was filed has Debtor used rental income
24 from one property to pay any of the expenses of a different
25 property. Finally, Debtor has had no occasion to use any of the

26
27 ¹ At the Status Conference, Debtor reported that rent on one
28 of the properties which is being occupied by the son and daughter-in-
law of the Debtor's principals had not been paid. This situation has
been corrected and rent due since the case was filed has been paid.
See attached Declaration of Dolly Valdivia.

1 rental income from the properties located at 779 Arbolado or 830
2 Arbolado. Debtor has used some of the rental income for the
3 property at 820 Mesita to make repairs at 820 Mesita.

4 Debtor's counsel has since reviewed the various deeds of trust
5 encumbering the property located at 820 Mesita in connection with a
6 motion under §363(b) to replace the roof at that property. (PACER
7 #39). Based on that review, Debtor does not believe that any of
8 the trust deed holders has, or has perfected a security interest in
9 the rental income generated by that property. Accordingly, Debtor
10 believes that the rental income from that property is not cash
11 collateral.

12 To the extent that Debtor is incorrect in its view about the
13 existence of cash collateral, Debtor's sole use of the rental
14 income since the case was filed was to address an emergency
15 situation. The case was filed on July 1, 2017. That same weekend,
16 a pipe broke flooding several rooms. Debtor engaged a plumber to
17 make emergency repairs and used rental income to pay the plumber.
18 Clearly this was an exigent which arose during a holiday weekend.
19 Emergency action was required to protect property of the estate and
20 obtaining leave of Court was all but impossible.

21 Finally, in each of the Deeds of Trust, Trustor is obligated
22 to take such action as may be necessary to protect the property.
23 Debtor has yet to do appropriate research, but believes that this
24 may constitute "consent" such that Debtor was free to use cash
25 collateral for that purpose.

26 **Item 3: Compliance**

27 The MTD sets forth that the Debtor has not satisfied the 7-Day
28 compliance which is required of all new Chapter 11 Debtors.

1 Specifically, the U.S. Trustee was concerned about the following
2 items:

3 **Insurance**

4 On or around August 17, 2017, Debtor submitted new insurance
5 declarations for the rental properties to the U.S. Trustee. True
6 and correct copies of the new insurance declaration pages are
7 attached to the attached Declaration of Dolly Valdivia as "Exhibit
8 A".

9 On or around August 24, 2017, Debtor submitted the insurance
10 declaration for its vehicle, a 2013 Nissan Altima. A true and
11 correct copy of the car insurance declaration page is attached to
12 the Declaration of Dolly Valdivia as "Exhibit B."

13 **Real Property Questionnaires**

14 On or around August 28, 2017, Debtor submitted amended real
15 property questionnaires to the U.S. Trustee. True and correct
16 copies of the amended real property questionnaires without exhibits
17 which are long) are attached to the Declaration of Dolly Valdivia
18 as "Exhibit C."

19 **Vehicle**

20 On August 16, 2017, Debtor's amendments included reference to
21 the 2013 Nissan Altima.

22 **Item 4: Monthly Operating Reports**

23 The MTD noted that Debtor had not yet filed a June, 2017
24 Monthly Operating Report. That report was filed on August 17, 2017
25 (PACER #32).

26 **Miscellaneous Additional Item**

27 The Court had previously expressed concern that the son and
28 daughter-in-law of Debtor's principals had yet to pay rent for July

1 and August, 2017. That rent is now fully paid. Copies of the
2 receipts are attached to the Declaration of Dolly Valdivia as
3 Exhibit "D".

CONCLUSION

5 For the foregoing reasons, Debtor requests that the MTD be
6 denied.

7 Dated: August 30, 2017

LAW OFFICES OF DAVID A. TILEM



By: _____ David A. Tilem,
Attorney for Debtor

DECLARATION OF DOLLY VALDIVIA

I, Dolly Valdivia, hereby declare and state as follows:

3 1. I am the Corporate Secretary, a shareholder and a member
4 of the Board of Directors of CHRESTOTES, INC. ("Debtor"), the
5 debtor and debtor-in-possession in the above-entitled case.

6 2. The following statements are based on my personal
7 knowledge. If asked to do so, I could and would testify to these
8 statements.

9 3. On August 16, 2017, Debtor filed Amended Schedules with
10 additional information regarding the properties and the Nissan
11 vehicle (PACER #28).

12 4. On August 21, 2017 Debtor filed a motion to use cash
13 collateral to replace the roof at 820 Mesita Place, Fullerton, CA
14 (PACER # 39). A hearing is scheduled for September 14, 2017 at
15 11:00 a.m.

16 5. On or around August 17, 2017, Debtor submitted to the
17 U.S. Trustee copies of insurance declarations pages for the rental
18 properties. True and correct copies of those documents are
19 attached as "Exhibit A".

20 6. On or around August 24, 2017, Debtor submitted to the
21 U.S. Trustee a copy of the insurance declaration page for its 2013
22 Nissan Altima. A true and correct copy of this document is attached
23 as "Exhibit B."

24 7. On or around August 28, 2017, Debtor submitted to the
25 U.S. Trustee amended real property questionnaires. True and correct
26 copies of the amended real property questionnaires (without
27 exhibits which are long) are attached as "Exhibit C."

28 8. On August 17, 2017, Debtor filed a July, 2017 Monthly

1 Operating Report (PACER #32).

2 9. Debtor has received July and August, 2017 rent from my
3 son and daughter-in-law. Copies of the deposit receipts are
4 attached as Exhibit "D".

5 I declare under penalty of perjury of the law of the United
6 States that the foregoing is true and correct and that this
7 declaration was signed by me on August 31, 2017 at Glendale,
8 California.

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11 DOLLY VALDIVIA *sec1*
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